

**BURGIN INDEPENDENT
SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2016**

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October 21, 2016

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Burgin Independent School District
140 Burgin-Danville Road
Burgin, KY 40310

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burgin Independent School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Burgin Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Burgin Independent School District as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of district's proportionate share of net pension liabilities on Pages 4 through 10, 43 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Burgin Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the statement of receipts, disbursements and fund balance – High School Activity Fund are presented for the purpose of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the statement of receipts, disbursements and fund balance – High School Activity Fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, statement of receipts, disbursements and fund balance – High School Activity Fund are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 21, 2016, on our consideration of Burgin Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Burgin Independent School District's internal control over financial reporting and compliance.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

BURGIN INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2016

As management of the Burgin Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- The beginning General Fund's fund balance was \$525,516. The ending fund balance was \$722,545. General fund revenues showed an increase of \$285,418 and expenditures showed an increase of \$74,023 as compared with the prior year. The General Fund transferred \$7,500 to the Special Revenue Fund for the technology grant match and \$28,772 to the Debt Service Fund for debt service payments.
- The District had \$5,357,325 in revenue and \$5,119,501 in expenses.
- The District, through routine debt service, reduced bond debt through the Debt Service Fund. Total debt service payments for fiscal year 2016 were \$239,823 in principal payments and \$138,949 in interest payments.
- The District's total net position increased \$237,824 to \$(185,488). Current assets increased \$315,489, non-current assets decreased \$202,571 and total liabilities increased \$46,316.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements - The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 11 - 12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are agency funds that account for activities of student groups and other types of activities requiring clearing accounts. The only proprietary fund is our food service operation. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 - 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 42 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by \$185,488 as of June 30, 2016.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2016 and June 30, 2015

A comparison of June 30, 2016 and June 30, 2015 government wide net position is as follows:

	Governmental Activities		Business – Type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 998,996	\$ 657,295	\$ 47,048	\$ 73,260	\$ 1,046,044	\$ 730,555
Capital Assets	4,111,037	4,312,180	1,080	2,508	4,112,117	4,314,688
Deferred Outflows	<u>253,958</u>	<u>99,736</u>	<u>-</u>	<u>-</u>	<u>253,958</u>	<u>99,736</u>
Total Assets and Def Outflows	<u>5,363,991</u>	<u>5,069,211</u>	<u>48,128</u>	<u>75,768</u>	<u>5,412,119</u>	<u>5,144,979</u>
Current Liabilities	363,356	317,087	-	-	363,356	317,087
Non-Current Liabilities	5,166,251	5,166,204	-	-	5,166,251	5,166,204
Deferred Inflows	<u>68,000</u>	<u>85,000</u>	<u>-</u>	<u>-</u>	<u>68,000</u>	<u>85,000</u>
Total Liabilities and Def Inflows	<u>5,597,607</u>	<u>5,568,291</u>	<u>-</u>	<u>-</u>	<u>5,597,607</u>	<u>5,568,291</u>
Net Position						
Net Investment in Capital Assets	(198,909)	(237,589)	1,080	2,508	(197,829)	(235,081)
Restricted	177,618	102,277	47,048	73,260	224,666	175,537
Unrestricted	<u>(212,325)</u>	<u>(363,768)</u>	<u>-</u>	<u>-</u>	<u>(212,325)</u>	<u>(363,768)</u>
Total Net Position	<u>\$ (233,616)</u>	<u>\$ (499,080)</u>	<u>\$ 48,128</u>	<u>\$ 75,768</u>	<u>\$ (185,488)</u>	<u>\$ (423,312)</u>

Deferred outflows increased by \$154,222 and total liabilities increased \$46,316. Deferred inflows decreased by \$17,000.

The following table presents a comparison of revenues, expenses and changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

	Governmental Activities		Business – Type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
REVENUES						
Program revenues						
Charges for services	\$ 11,100	\$ 13,861	\$ 80,093	\$ 79,158	\$91,193	\$ 93,019
Operating grants and contributions	664,098	424,198	174,730	167,396	838,828	591,594
Capital grants	4,897	5,135			4,897	5,135
General revenues						
Property taxes	1,428,842	1,392,059			1,428,842	1,392,059
Motor vehicle taxes	135,833	139,386			135,833	139,386
Utility Taxes	124,996	125,548			124,996	125,548
Other taxes	6,112	1,724			6,112	1,724
Investment earnings	1,029	871			1,029	871
State and formula grants	2,632,309	2,391,636			2,632,309	2,391,636
Miscellaneous	78,604	59,721			78,604	59,721
Special Items						
Fund Transfer	14,682	13,340	(14,682)	(13,340)	-	-
Gain (loss) on sale of assets		(508)				(508)
Total revenues	<u>5,102,502</u>	<u>4,566,971</u>	<u>240,141</u>	<u>233,214</u>	<u>5,342,643</u>	<u>4,800,185</u>
EXPENSES						
Program Activities						
Instructional	3,089,844	2,897,844			3,089,844	2,897,844
Student support	106,895	94,141			106,895	94,141
Instructional staff Support	198,589	220,888			198,589	220,888
District administrative support	184,281	185,673			184,281	185,673
School administrative support	288,455	295,638			288,455	295,638
Business support	244,592	156,561			244,592	156,561
Plant operations and maintenance	354,009	330,868			354,009	330,868
Student transportation	193,110	87,880			193,110	87,880
Community service activities	39,168	40,837			39,168	40,837
Debt Service	138,095	163,386			138,095	163,386
Business-type Activities						
Food service			267,781	249,617	267,781	249,617
Total expenses	<u>4,837,038</u>	<u>4,473,756</u>	<u>267,781</u>	<u>249,617</u>	<u>5,104,819</u>	<u>4,723,373</u>
Increase in net position	<u>\$265,464</u>	<u>\$ 93,215</u>	<u>\$ (27,640)</u>	<u>\$ (16,403)</u>	<u>\$ 237,824</u>	<u>\$ 76,812</u>

On-behalf amounts are included in the above figures. On-behalf payments are payments the state makes on behalf of employees to the various agencies for health and life insurance, benefits, administration fees, technology and debt service. The total on-behalf payments for 2016 and 2015 were \$872,206 and \$839,694 respectively.

Governmental Activities

For the governmental program expenses, instructional expenses comprise 64% of total expenses, support services equate to 32%, and interest and other expenses make up the remaining 4% of the total.

The cost of program services and the charges for services and grants offsetting those services are shown on the Statement of Activities. The Statement of activities identifies the net cost of services supported by tax revenue and unrestricted intergovernmental revenues (State entitlements).

	Governmental Activities Total		Governmental Activities Net	
	Cost of Services		Cost of Services	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Instructional	\$ 3,089,844	\$ 2,897,884	2,469,321	2,509,321
Support Services	1,569,931	1,371,649	1,553,986	1,366,024
Other	39,168	40,837	438	(3,034)
Interest Costs	<u>138,095</u>	<u>163,386</u>	<u>133,198</u>	<u>158,251</u>
Total Expenses	<u>\$ 4,837,038</u>	<u>\$ 4,473,756</u>	<u>\$ 4,156,943</u>	<u>\$ 4,030,562</u>

Business-Type Activities

The business type activities consist of the food service program. This program had total revenues of \$254,823 and expenses of \$267,781 for fiscal year 2016. These revenues were made up of \$80,093 charges for services \$174,730 federal and state operating grants. These business-type activities receive no support from tax revenues, and, as such, the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

The School District's Funds

The information relative to the School District's Funds starts on page 13. These funds use the modified accrual basis of accounting to account for each fund's revenues and expenses. The combined revenue for all governmental funds for 2016 was \$5,087,820 and expenditures were \$4,830,132. The most significant net change in fund balance was in the General Fund with an increase of \$197,029, which is primarily due to increase in tax revenues and grant revenues.

General Fund Budgetary Highlights

The District's budget is based on accounting for certain transactions on the cash basis for receipts and expenditures and encumbrances and is prepared according to Kentucky law. The Kentucky Department of Education requires a zero-based budget with any remaining fund balance to be shown as a contingency expense in the budgeting process.

The most significant budgeted fund is the General Fund. The general fund had budgeted revenues of \$2,906,783 with actual revenue being \$4,002,980. Budgeted expenditures were \$3,311,343 compared to actual expenditures of \$3,805,951. The most significant cause of the variance between budget and actual was the state on-behalf payments in the amount of \$872,206 which are not budgeted.

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2015-2016 with an 11% contingency. The District has adopted a budget for 2016-2017 with a 14% contingency.

The Board's obligation for contribution to the Kentucky Retirement System for classified employees decreased for FY 2016 from 17.67% to 17.06%. The Kentucky Teachers Retirement mandated an increase contribution from 2.25% to 3% on all employees and increased the federal grants matching from 15.35% to 16.105%.

The SEEK base funding has not changed from \$3,981 per pupil in FY 2015-2016 for FY 2016-2017. The General Fund will be closely monitored to support District staffing.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2016 fiscal year, the District had invested \$4,112,117 in a broad range of capital assets, including equipment, buses, buildings, and land net of accumulated depreciation. This amount represents a net decrease of \$202,571. Depreciation expense for the year was \$202,571 and there were no capital additions.

The table on the following page shows capital assets net of depreciation for the governmental activities, business-type activities and total primary government for fiscal years ended June 30, 2016 and 2015.

	Governmental Activities (Net of Depreciation)		Business - Type Activities (Net of Depreciation)		Total Primary Government (Net of Depreciation)	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land Improvements	\$ 30,124	\$ 33,208	\$ -	\$ -	\$ 30,124	\$ 33,208
Buildings and Improvements	3,911,683	4,063,077	-	-	3,911,683	4,063,077
Technology	24,198	40,133	0	-	24,198	40,133
Vehicles	144,793	174,631	-	-	144,793	174,631
General Equipment	239	1,131	1,080	2,508	1,319	3,639
Total	\$ 4,111,037	\$ 4,312,180	\$1,080	\$ 2,508	\$ 4,112,117	\$ 4,314,688

The table below shows the changes in capital assets for fiscal years ended June 30, 2016 and 2015.

	Governmental Activities		Business - Type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Beginning Balance	\$ 4,312,180	\$ 4,456,024	\$ 2,508	\$ 6,469	\$ 4,314,688	\$ 4,462,493
Additions	0	91,825	-	-	0	91,825
Retirements	0	(117,267)	-	-	0	(117,267)
Depreciation	(201,143)	(118,402)	(1,428)	(3,961)	(202,571)	(122,363)
Ending Balance	\$ 4,111,037	\$ 4,312,180	\$1,080	\$ 2,508	\$ 4,112,117	\$ 4,314,688

Long-Term Debt

At year-end the District had \$4,190,000 in bonds outstanding and \$119,946 in capital lease obligations. Bonded debt principal paid for the year ended June 30, 2016 was \$215,000 and capital lease obligation principal paid was \$24,823. A total of \$243,805 is due within one year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director.

BUURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	871,361	45,113	916,474
Accounts Receivable:			
Taxes - Current	17,094		17,094
Taxes - Delinquent	28,838		28,838
Intergovernmental - Federal	81,703		81,703
Inventories for Consumption		1,935	1,935
Total Current Assets	998,996	47,048	1,046,044
Noncurrent Assets - Note G			
Buildings & Improvements	6,314,933		6,314,933
Furniture & Equipment	864,215	75,987	940,202
Less: Accumulated Depreciation	(3,068,111)	(74,907)	(3,143,018)
Total Noncurrent Assets	4,111,037	1,080	4,112,117
TOTAL ASSETS	5,110,033	48,128	5,158,161
Deferred Outflows Related to Pensions	253,958		253,958
TOTAL ASSETS AND DEFERRED OUTFLOWS	5,363,991	48,128	5,412,119
LIABILITIES:			
Current Liabilities:			
Accounts Payable	9,970		9,970
Accrued Salaries & Sick Leave - Note A	145		145
Advances from Grantors	88,718		88,718
KSBIT Assessment	2,418		2,418
Bond Obligations - Note E	220,000		220,000
Capital Lease Obligation - Note F	23,805		23,805
Accrued Interest Payable	18,300		18,300
Total Current Liabilities	363,356	0	363,356
Noncurrent Liabilities:			
Bond Obligations - Note E	3,970,000		3,970,000
Capital Lease Obligation - Note F	96,141		96,141
Net Pension Liability	1,037,859		1,037,859
KSBIT Assessment	6,661		6,661
Accrued Sick Leave - Note A	55,590		55,590
Total Noncurrent Liabilities	5,166,251		5,166,251
TOTAL LIABILITIES	5,529,607	0	5,529,607
Deferred Inflows Related to Pensions	68,000		68,000
TOTAL LIABILITIES AND DEFERRED INFLOWS	5,597,607	0	5,597,607
NET POSITION:			
Net Investment in Capital Assets	(198,909)	1,080	(197,829)
Restricted for:			
School Activities	24,626		24,626
Capital Projects	69,785		69,785
SFCC Escrow	83,207		83,207
Food Service		47,048	47,048
Unrestricted	(212,325)		(212,325)
TOTAL NET POSITION	(233,616)	48,128	(185,488)
TOTAL LIABILITIES AND NET POSITION	5,363,991	48,128	5,412,119

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	3,089,844	4,200	616,323		(2,469,321)		(2,469,321)
Support Services:							
Student Support Services	106,895				(106,895)		(106,895)
Staff Support Services	198,589		6,540		(192,049)		(192,049)
District Administration	184,281				(184,281)		(184,281)
School Administration	288,455				(288,455)		(288,455)
Business Support Services	244,592				(244,592)		(244,592)
Plant Operation & Maintenance	354,009				(354,009)		(354,009)
Student Transportation	193,110	6,900	2,505		(183,705)		(183,705)
Community Service Operations	39,168		38,730		(438)		(438)
Interest on Long-Term Debt	138,095			4,897	(133,198)		(133,198)
TOTAL GOVERNMENTAL ACTIVITIES	<u>4,837,038</u>	<u>11,100</u>	<u>664,098</u>	<u>4,897</u>	<u>(4,156,943)</u>		<u>(4,156,943)</u>
BUSINESS-TYPE ACTIVITIES:							
Food Service	267,781	80,093	174,730			(12,958)	(12,958)
TOTAL BUSINESS-TYPE ACTIVITIES	<u>267,781</u>	<u>80,093</u>	<u>174,730</u>	<u>0</u>	<u>0</u>	<u>(12,958)</u>	<u>(12,958)</u>
TOTAL SCHOOL DISTRICT	<u>5,104,819</u>	<u>91,193</u>	<u>838,828</u>	<u>4,897</u>	<u>(4,156,943)</u>	<u>(12,958)</u>	<u>(4,169,901)</u>
GENERAL REVENUES:							
Taxes:							
Property					1,428,842		1,428,842
Motor Vehicle					135,833		135,833
Utility					124,996		124,996
Other					6,112		6,112
State Aid - Formula Grants					2,632,309		2,632,309
Investment Earnings					1,029		1,029
Miscellaneous					78,604		78,604
SPECIAL ITEMS:							
Funds Transfer (Expense)					14,682	(14,682)	0
Gain(Loss) Sale of Assets							0
TOTAL GENERAL & SPECIAL					<u>4,422,407</u>	<u>(14,682)</u>	<u>4,407,725</u>
CHANGE IN NET POSITION					265,464	(27,640)	237,824
NET POSITION, BEGINNING OF YEAR					<u>(499,080)</u>	<u>75,768</u>	<u>(423,312)</u>
NET POSITION - ENDING					<u>(233,616)</u>	<u>48,128</u>	<u>(185,488)</u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	GENERAL FUND	SPECIAL REVENUE	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash & Cash Equivalents	683,403	10,340	102,336	75,282	871,361
Accounts Receivable:					
Taxes - Current	17,094				17,094
Taxes - Delinquent	28,838				28,838
Intergovernmental - Federal		81,703			81,703
TOTAL ASSETS	<u>729,335</u>	<u>92,043</u>	<u>102,336</u>	<u>75,282</u>	<u>998,996</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts Payable	6,645	3,325			9,970
Accrued Salaries & Sick Leave	145				145
Advances from Grantors		88,718			88,718
Total Liabilities	<u>6,790</u>	<u>92,043</u>	<u>0</u>	<u>0</u>	<u>98,833</u>
Fund Balance:					
Restricted for:					
School Activities				24,626	24,626
Capital Projects			64,378	5,407	69,785
SFCC Escrow			37,958	45,249	83,207
Committed for:					
Sick Leave	55,590				55,590
Unassigned Fund Balance	666,955				666,955
Total Fund Balance	<u>722,545</u>	<u>0</u>	<u>102,336</u>	<u>75,282</u>	<u>900,163</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>729,335</u>	<u>92,043</u>	<u>102,336</u>	<u>75,282</u>	<u>998,996</u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

Amounts reported for governmental activities in the statement of net position are different because:

TOTAL GOVERNMENTAL FUND BALANCE		900,163
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	7,179,148	
Accumulated Depreciation	<u>(3,068,111)</u>	4,111,037
Deferred Outflows on Related to Pensions are not a current asset and therefore are not reported as assets in governmental funds.		253,958
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds Payable	(4,190,000)	
Capital Lease Obligation	(119,946)	
Net Pension Liability	(1,037,859)	
KSBIT Assessment	(9,079)	
Accrued Interest on Bonds	(18,300)	
Accrued Sick Leave	<u>(55,590)</u>	(5,430,774)
Deferred Inflows on Related to Pensions are not a current liability and therefore are not reported as liabilities in governmental funds.		<u>(68,000)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>(233,616)</u></u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	GENERAL	SPECIAL REVENUE	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes:					
Property	1,182,200		246,642		1,428,842
Motor Vehicle	135,833				135,833
Utility	124,996				124,996
Other	6,112				6,112
Earnings on Investments	1,029				1,029
Intergovernmental - State	2,464,063	249,137	98,107	75,036	2,886,343
Intergovernmental - Federal		414,961			414,961
Other Sources	74,065			15,639	89,704
TOTAL REVENUES	3,988,298	664,098	344,749	90,675	5,087,820
EXPENDITURES:					
Instructional	2,341,443	623,283		10,083	2,974,809
Support Services:					
Student Support Services	103,534				103,534
Staff Support Services	185,942	6,614			192,556
District Administration	177,930				177,930
School Administration	217,832				217,832
Business Support Services	240,896				240,896
Plant Operation & Maintenance	348,152				348,152
Student Transportation	153,950	2,533			156,483
Community Service Operations		39,168			39,168
Debt Service:					
Principal				239,823	239,823
Interest				138,949	138,949
TOTAL EXPENDITURES	3,769,679	671,598	0	388,855	4,830,132
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	218,619	(7,500)	344,749	(298,180)	257,688
OTHER FINANCING SOURCES(USES):					
Operating Transfers In - Note O	14,682	7,500		349,982	372,164
Operating Transfers Out - Note O	(36,272)		(280,371)	(40,839)	(357,482)
TOTAL OTHER FINANCING SOURCES	(21,590)	7,500	(280,371)	309,143	14,682
NET CHANGE IN FUND BALANCES	197,029	0	64,378	10,963	272,370
FUND BALANCES - BEGINNING	525,516	0	37,958	64,319	627,793
FUND BALANCES - ENDING	722,545	0	102,336	75,282	900,163

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Amounts reported for governmental activities in the statement of net position are different because:

NET CHANGES - GOVERNMENTAL FUNDS		272,370
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.		
Depreciation Expense	(201,143)	
Capital Outlays	<u>0</u>	(201,143)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Principal Paid		239,823
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
District Pension Contributions	96,899	
Cost of Benefits Earned Net of Employee Contributions	(198,536)	
KSBIT Assessment	2,418	
Accrued Interest Payable	854	
Accrued Sick Leave	<u>52,779</u>	(45,586)
In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.		
Gain (Loss)- Sale of Assets		<u>0</u>
CHANGES - NET POSITION GOVERNMENTAL FUNDS		<u><u>265,464</u></u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	<u>FOOD SERVICE</u>
ASSETS:	
Current Assets:	
Cash & Cash Equivalents	45,113
Accounts Receivable	
Inventories for Consumption	<u>1,935</u>
Total Current Assets	47,048
Noncurrent Assets:	
Furniture & Equipment	75,987
Less: Accumulated Depreciation	<u>(74,907)</u>
Total Noncurrent Assets	<u>1,080</u>
TOTAL ASSETS	<u><u>48,128</u></u>
LIABILITIES:	
Current Liabilities:	
Account Payable	<u>0</u>
Total Current Liabilities	0
Net Position:	
Net Investment in Capital Assets	1,080
Restricted	<u>47,048</u>
Total Net Position	<u><u>48,128</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>48,128</u></u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>FOOD SERVICE</u>
OPERATING REVENUES:	
Lunchroom Sales	80,043
Other Operating Revenues	<u>50</u>
TOTAL OPERATING REVENUES	80,093
OPERATING EXPENSES:	
Salaries & Benefits	130,388
Contract Services	519
Materials & Supplies	132,683
Depreciation - Note F	1,428
Other Operating Expenses	<u>2,763</u>
TOTAL OPERATING EXPENSES	<u>267,781</u>
OPERATING INCOME(LOSS)	(187,688)
NONOPERATING REVENUES(EXPENSES):	
Federal Grants	136,697
State Grants	21,737
Donated Commodities	16,296
Transfer Out to General Fund	<u>(14,682)</u>
TOTAL NONOPERATING REVENUE	<u>160,048</u>
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(27,640)
CAPITAL CONTRIBUTIONS	<u>0</u>
CHANGE IN NET POSITION	(27,640)
TOTAL NET POSITION - BEGINNING	<u>75,768</u>
TOTAL NET POSITION - ENDING	<u><u>48,128</u></u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	FOOD SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from:	
Lunchroom Sales	80,055
Other Activities	50
Cash Paid to/for:	
Employees	(111,043)
Supplies	(117,055)
Other Activities	(3,282)
Net Cash Provided (Used) by Operating Activities	(151,275)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfer Out to General Fund	(14,682)
Federal Grants	136,697
State Grants	2,392
Net Cash Provided by Non-Capital and Related Financing Activities	124,407
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	-
CASH FLOWS FROM INVESTING ACTIVITIES	-
Net Increase in Cash and Cash Equivalents	(26,868)
Balances, Beginning of Year	71,981
Balances, End of Year	45,113
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Loss	(187,688)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities	
Depreciation	1,428
State On-Behalf Payments	19,345
Donated Commodities	16,296
Change in Assets and Liabilities:	
Inventory	(668)
Accounts Receivable	12
Net Cash Provided (Used) by Operating Activities	(151,275)
Schedule of Non-Cash Transactions:	
Donated Commodities	16,296
State On-Behalf Payments	19,345

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>SCHOOL ACTIVITY FUNDS</u>	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>TOTAL</u>
ASSETS:			
Cash and Cash Equivalents	68,430	4,247	72,677
Investments		163,027	163,027
TOTAL ASSETS	<u>68,430</u>	<u>167,274</u>	<u>235,704</u>
LIABILITIES:			
Due to Student Groups	68,430		68,430
TOTAL LIABILITIES	<u>68,430</u>	<u>0</u>	<u>68,430</u>
NET POSITION IN TRUST	<u>0</u>	<u>167,274</u>	<u>167,274</u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
ADDITIONS:	
Earnings on Investments	18,002
DEDUCTIONS:	
Instructional Grants	<u>24,549</u>
TOTAL DEDUCTIONS	24,549
Changes in Net Position	(6,547)
NET POSITION HELD IN TRUST - BEGINNING OF YEAR	<u>173,821</u>
NET POSITION HELD IN TRUST - END OF YEAR	<u><u>167,274</u></u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Burgin Independent Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Burgin Independent Board of Education (“District”). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Burgin Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Burgin Independent Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Burgin Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards and related notes. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan. This is a major fund of the District.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency Funds)

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Nonexchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2016, to finance the General Fund operations were \$0.656 per \$100 valuation for real property, \$0.656 per \$100 valuation for business personal property, and \$0.546 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gases.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payable resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statements of net position except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will received from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District committed the following fund balance type by taking the following action:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
General Fund	55,590	Long-Term Sick Leave Commitment

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Revenue	State, Local and Federal Grants

Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$989,151. Of the total cash balance, \$254,247 was covered by Federal Depository Insurance, \$734,904 was covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

Cash and cash equivalents at June 30, 2016, consisted of the following:

	Bank Balance	Book Balance
Farmers National Bank	1,030,820	984,904
Raymond James	<u>4,247</u>	<u>4,247</u>
Total Cash and Cash Equivalents	<u>1,035,067</u>	<u>989,151</u>

Breakdown per financial statements:

Governmental Funds	871,361
Proprietary Funds	<u>45,113</u>
Subtotal	916,474
Fiduciary Funds	4,247
Agency Funds	<u>68,430</u>
Total Cash and Cash Equivalents All Funds	<u>989,151</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – INVESTMENTS

Investments stem from the estate of Ms. Ruby Proctor, left to Burgin Independent School District to be administered by the superintendent; the principal to be invested in trust-grade instruments and the annual earnings/interest to be distributed to classroom teachers. To be eligible for a “Proctor Grant” the teacher must submit an entry application for a creative, innovative, effective proposal and plan for a special classroom project that goes beyond the standard curriculum. Ms. Proctor urged that those involved in this program be liberal in creativity, to stir the imagination of the students and to build character and a love of learning.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments at June 30, 2016, consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Money Market Funds	\$ 4,247	\$ 4,247
Common Stock	60,201	120,892
Exchange Traded Funds	<u>38,025</u>	<u>42,135</u>
	<u>\$117,898</u>	<u>\$167,274</u>

All fair values listed above are valued using quoted market prices (Level 1 inputs).

While such investments are not in conformity with state law or District policy, the assets are in trust, and the trustee makes all investment decisions.

NOTE E – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District’s future obligations to make payments relating to the bonds issued by the Burgin Independent School District Finance Corporation aggregating \$5,360,000.

The original amount of each issue and interest rates are summarized below:

2001	640,000	4.25% - 4.60%
2011	2,345,000	1.00% - 4.30%
2012	1,005,000	1.00% - 2.75%
2012 Refunding	1,370,000	0.70% - 3.00%

The District, through the General Fund (including utility taxes and the Support Education Excellence (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Burgin Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG TERM OBLIGATIONS (CONTINUED)

The District has “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local schools districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission’s participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice of its intention not to participate not less than sixty days prior to the end of its biennium.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2016, for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2016-17	220,000	129,755	28,791	320,964
2017-18	225,000	124,485	28,791	320,694
2018-19	230,000	119,586	28,790	320,796
2019-20	235,000	114,560	28,791	320,769
2020-21	245,000	109,244	28,791	325,453
2021-22	250,000	103,475	28,790	324,685
2022-23	255,000	97,180	28,793	323,387
2023-24	260,000	90,293	28,791	321,502
2024-25	240,000	83,235	194	323,041
2025-26	250,000	75,115	194	324,921
2026-27	260,000	65,649	195	325,454
2027-28	270,000	55,618	194	325,424
2028-29	280,000	45,030	195	324,835
2029-30	290,000	34,030	194	323,836
2030-31	300,000	22,180	194	321,986
2031-32	185,000	7,906	-0-	192,906
2032-33	<u>195,000</u>	<u>2,681</u>	<u>-0-</u>	<u>197,681</u>
	<u>4,190,000</u>	<u>1,280,022</u>	<u>231,686</u>	<u>5,238,335</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG TERM OBLIGATIONS (CONTINUED)

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bonds Payable	4,405,000	0	215,000	4,190,000	220,000
Capital Lease Obligations	144,769	0	24,823	119,946	23,805
KISBIT Assessment	11,497	0	2,418	9,079	2,418
Accrued Sick Leave	<u>108,369</u>	<u>0</u>	<u>52,779</u>	<u>55,590</u>	<u>0</u>
Governmental Activities					
Long-Term Liabilities	<u>4,669,635</u>	<u>0</u>	<u>295,020</u>	<u>4,374,615</u>	<u>246,223</u>

NOTE F - CAPITAL LEASE PAYABLE

The District is the lessee of a bus under a capital lease expiring in fiscal year 2016. The asset and liability under the capital lease is recorded at the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over its estimated productive life. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2016.

The following is a summary of property held under capital leases:

<u>Classes of Property</u>	<u>Book Value as of June 30, 2016</u>
Gross amount of assets	242,317
Accumulated Amortization	(127,297)
	<u>115,020</u>

The following is a schedule by years of the future principal payments under capital leases as of June 30, 2016:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2017	27,103
2018	20,014
2019	19,994
2020	18,433
2021	18,391
Thereafter	<u>28,592</u>
Net minimum lease payments	132,527
Amount representing interest	<u>(12,581)</u>
Present value of net minimum lease payments	<u>119,946</u>

Interest rates on capitalized leases vary from 1.00% to 4.00%. The capital lease provides for the bus to revert to the District at the end of the respective lease with no further payment for purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land				
Depreciable Assets:				
Land Improvements	203,022			203,022
Buildings & Building Improvements	6,111,911			6,111,911
Technology Equipment	314,497			314,497
Vehicles	519,458			519,458
General Equipment	30,260			30,260
TOTAL AT HISTORICAL COST	7,179,148	0	0	7,179,148
LESS ACCUMULATED DEPRECIATION FOR:				
Land Improvements	169,814	3,084		172,898
Buildings & Building Improvements	2,048,834	151,394		2,200,228
Technology Equipment	274,364	15,935		290,299
Vehicles	344,827	29,838		374,665
General Equipment	29,129	892		30,021
TOTAL ACCUMULATED DEPRECIATION	2,866,968	201,143	0	3,068,111
GOVERNMENTAL ACTIVITIES CAPITAL NET	4,312,180	(201,143)	0	4,111,037
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Technology Equipment	1,600			1,600
General Equipment	74,387			74,387
TOTALS AT HISTORICAL COST	75,987	0	0	75,987
LESS ACCUMULATED DEPRECIATION FOR:				
Technology Equipment	1,600			1,600
General Equipment	71,879	1,428		73,307
TOTAL ACCUMULATED DEPRECIATION	73,479	1,428	0	74,907
PROPRIETARY ACTIVITIES CAPITAL NET	2,508	(1,428)	0	1,080
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				100,936
District Administration				1,480
School Administration				63,674
Plant Operation & Maintenance				1,864
Student Transportation				33,189
TOTAL				201,143

NOTE H – RETIREMENT PLANS

The District’s employees are provided with two pension plans, based on each position’s college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous (“CERS”)

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service or 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not Available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits.

Contributions—Required contributions by the employee are based on the tier:

	Required Contributions
Tier 1	5%
Tier 2	5% +1% for insurance
Tier 3	5% +1% for insurance

General information about the Teachers' Retirement System of the State of Kentucky ("KTRS")

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits provided—For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years.

In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.40% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 12.355% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 13.355% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description—In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of the CERS net pension liability	\$ 1,037,859
Commonwealth's proportional share of the KTRS net pension liability associated with the District	<u>15,488,946</u>
	<u>\$ 16,526,805</u>

The net pension liability for each plan was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2015, the District's proportion was 0.024139% percent.

For the year ended June 30, 2016, the District recognized pension expense of \$101,637 related to CERS and \$320,331 related to KTRS. The District also recognized revenue of \$320,331 for KTRS support provided by the Commonwealth. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,625	\$ -
Changes of assumptions	104,657	-
Net difference between projected and actual earnings on pension plan investments	9,304	68,000
Changes in proportion and differences between District contributions and proportionate share of contributions	14,712	-
District contributions subsequent to the measurement date	<u>116,660</u>	<u>-</u>
Total	<u>\$ 253,958</u>	<u>\$ 68,000</u>

\$116,660 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	21,431
2018	21,431
2019	21,431
2020	3,144
2021	1,861

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Actuarial assumptions—The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	3.25%	3.50%
Projected salary increases	4.00%	4.0-8.2%
Investment rate of return, net of investment expense & inflation	7.50%	7.50%

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	100.0%	

Discount rate—For CERS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 4.88%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2039 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2038 and a municipal bond index rate of 3.82% was applied to all periods of projected benefit payments after 2038. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	6.5%	7.5%	8.5%
District's proportionate share of net pension liability	1,324,956	1,037,859	791,986
KTRS	3.88%	4.88%	5.88%
District's proportionate share of net pension liability	0	0	0

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

NOTE I – COMMITMENTS

Commitments under operating lease agreements for office equipment provide the minimum future rental payments as of June 30, 2016, as follows:

	<u>Year ending June 30:</u>
2017	2,556
2018	2,556
2019	2,555
2020	<u>2,555</u>
Total minimum payments	<u>10,222</u>

NOTE J – CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor’s review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected, to be significant. Continuation of the District’s grant programs is predicated upon the grantors’ satisfaction that the funds provided are being spent as intended and the grantors’ intent to continue their programs.

NOTE K – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively related which include Workers’ Compensation insurance.

NOTE L – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers’ compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently the District maintains insurance coverage through the Ohio Casualty Insurance Association.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M – DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Debt Service Fund	349,982
Special Revenue Fund	7,500
Food Service	27,640

NOTE N – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss (contingency).

NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	7,500
Operating	General	Debt Service	Debt Service	28,772
Operating	Capital Outlay	Debt Service	Debt Service	40,839
Operating	Building	Debt Service	Debt Service	<u>280,371</u>
		Subtotal Governmental Fund Transfers		357,482
Operating	Food Service	General	Indirect Costs	<u>14,682</u>
		Total Transferred Funds		<u><u>372,164</u></u>

NOTE P – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances at June 30, 2016.

NOTE Q – SUBSEQUENT EVENTS

Management has reviewed subsequent events through October 21, 2016. There are no material subsequent events to disclose.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE R – ON-BEHALF PAYMENT

For the year ended June 30, 2016, \$872,206 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, and administrative fees were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were recorded as follows:

Kentucky Teachers Retirement System (GASB 68 Schedule A)	\$320,331
Health Insurance	485,318
Life Insurance	786
Administrative Fee	5,755
HRA/Dental/Vision	32,120
Federal Reimbursement	(33,352)
Technology	32,458
SFCC Debt Service Payments	<u>28,790</u>
Total	<u>\$872,206</u>

NOTE S – KSBIT ASSESSMENT

As of June 30, 2013, Kentucky School Boards Insurance Trust (KSBIT) was disbanded. On January 14, 2013, school districts in Kentucky were notified that if they had been participating members in KSBIT Workers' Compensation Self-Insurance Pool or its Property and Liability Self-Insurance Pool, they would be required to pay an assessment to repay their portion of the losses incurred by KSBIT. The total assessment for all participants is expected to be between \$50 million and \$60 million. As of June 30, 2016, Burgin Independent School District's remaining assessment is valued at \$9,079. This has been recorded as a long-term liability on the government-wide financial statements. However, the District may be given an additional assessment in the future if KSBIT incurs additional losses as a result of ongoing litigation. The District has elected to pay this assessment over a seven year period with the final payment in fiscal year 2021.

<u>Year Ending June 30,</u>	<u>KSBIT Assessment Payable</u>
2017	2,418
2018	1,666
2019	1,666
2020	1,665
2021	<u>1,664</u>
Total	<u>9,079</u>

REQUIRED SUPPLEMENTARY INFORMATION

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	1,417,521	1,417,521	1,449,141	31,620
Other Local Sources	750	750	1,029	279
State Sources	1,437,863	1,437,863	2,464,063	1,026,200
Federal Sources	0	0	0	0
Other Sources	50,649	50,649	88,747	38,098
TOTAL REVENUES	2,906,783	2,906,783	4,002,980	1,096,197
EXPENDITURES:				
Instructional	1,691,077	1,691,077	2,341,443	(650,366)
Student Support Services	86,919	86,919	103,534	(16,615)
Staff Support Services	173,355	173,355	185,942	(12,587)
District Administration	152,040	152,040	177,930	(25,890)
School Administration	177,418	177,418	217,832	(40,414)
Business Support Services	151,524	151,524	240,896	(89,372)
Plant Operation & Maintenance	325,433	325,433	348,152	(22,719)
Student Transportation	161,403	161,403	153,950	7,453
Other	392,174	392,174	36,272	355,902
TOTAL EXPENDITURES	3,311,343	3,311,343	3,805,951	(494,608)
NET CHANGE IN FUND BALANCE	(404,560)	(404,560)	197,029	601,589
FUND BALANCES - BEGINNING	404,560	404,560	525,516	0
FUND BALANCES - ENDING	0	0	722,545	601,589

On-behalf payments totaling \$872,206 are not budgeted by the Cloverport Independent School District.

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
State Sources	327,474	327,474	249,137	(78,337)
Federal Sources	392,595	392,595	414,961	22,366
Other Sources	9,272	9,272	7,500	(1,772)
TOTAL REVENUES	<u>729,341</u>	<u>729,341</u>	<u>671,598</u>	<u>(57,743)</u>
EXPENDITURES:				
Instructional	679,838	679,838	623,283	56,555
Student Support Services			0	0
Staff Support Services	6,614	6,614	6,614	0
District Administration			0	0
School Administration			0	0
Business Support Services			0	0
Plant Operation & Maintenance			0	0
Student Transportation	3,697	3,697	2,533	1,164
Central Office			0	
Community Service Operations	39,192	39,192	39,168	24
Facility Acquisition & Construction			0	
Other			0	0
TOTAL EXPENDITURES	<u>729,341</u>	<u>729,341</u>	<u>671,598</u>	<u>57,743</u>
NET CHANGE IN FUND BALANCE	0	0	0	0
FUND BALANCES - BEGINNING	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES - ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

See accompanying auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>
District's proportion of net pension liability	0.0%	0.0%
District's proportionate share of the net pension liability	\$ 0	0
State of Kentucky's share of the net pension liability associated with the District	<u>12,930,430</u>	<u>15,488,946</u>
Total	<u>\$ 12,930,430</u>	<u>15,488,946</u>
District's covered-employee payroll	\$ 2,077,886	2,183,903
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%	44.70%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

BURGIN INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>
District's proportion of net pension liability	.023568%	.024138%
District's proportionate share of the net pension liability	\$ 765,000	1,037,859
State of Kentucky's share of the net pension liability associated with the District	<u>0.00</u>	<u>0.00</u>
Total	<u>\$ 765,000</u>	<u>1,037,859</u>
District's covered-employee payroll	\$ 563,194	567,992
District's proportionate share of the net pension liability as a percentage of its covered-payroll	135.84%	182.73%
Plan fiduciary net position as a percentage of the total pension liability	65.96%	63.46%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

BUGIN INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>
Contractually required contributions (actuarially determined)	\$ 99,736	\$ 96,899
Contributions in relation to the actuarially determined contributions	<u>99,736</u>	<u>96,899</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 563,194	\$ 567,992
Contributions as a percentage of Covered employee payroll	17.67%	17.06%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

BURGIN INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE
KENTUCKY TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>
Contractually required contributions (actuarially determined)	\$ 67,439	\$ 89,279
Contributions in relation to the actuarially determined contributions	<u>67,439</u>	<u>89,279</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 2,077,886	\$ 2,183,603
Contributions as a percentage of Covered employee payroll	3.04%	3.86%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

BURGIN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016

KENTUCKY TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

The last experience investigation was prepared for the five-year period ending June 30, 2010, and based on the results of an actuarial study and adopted by the board on December 19, 2011.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined total pension liability is calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended June 30, 2016 reported in that schedule:

Valuation Date	June 30, 2014
Inflation	3.50 percent
Salary Increases	4.00 – 8.20 percent
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expense, Including Inflation	7.50 Percent
Municipal Bond Index Rate:	
Prior Measurement Date	4.35 Percent
Measurement Date	3.82 Percent
Year FNP is Projected to be Depleted	2039
Single Equivalent Interest Rate, Net of Pension Plan Investment Expense, Including Inflation:	
Prior Measurement Date	5.23 percent
Measurement Date	4.96 Percent
Post-Retirement Benefit Increases	1.50% annually

BURGIN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

The last experience investigation was prepared for the five-year period ending June 30, 2013, and based on the results of an actuarial study and adopted by the board.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule are determined on a biennial basis beginning with the fiscal years ended 2014 and 2015, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the rates reported in that schedule:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25 percent
Salary Increase	4.0 percent, average, including inflation
Investment Rate of Return	7.5 percent, net of pension plan investment expense, including inflation

OTHER SUPPLEMENTARY INFORMATION

BURGIN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	DEBT SERVICE FUND	SEEK CAPITAL OUTLAY FUND	CONSTRUCTION FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:					
Cash & Cash Equivalents		50,656		24,626	75,282
TOTAL ASSETS	0	50,656	0	24,626	75,282
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable					0
Total Liabilities	0	0	0	0	0
Fund Balances:					
Restricted for:					
School Activities				24,626	24,626
Capital Projects		5,407			5,407
SFCC Escrow		45,249			45,249
Unassigned Fund Balance					0
Total Fund Balances	0	50,656	0	24,626	75,282
TOTAL LIABILITIES AND FUND BALANCES	0	50,656	0	24,626	75,282

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	DEBT SERVICE FUND	SEEK CAPITAL OUTLAY FUND	CONSTRUCTION FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:					
Intergovernmental - State	28,790	46,246			75,036
Other Sources				15,639	15,639
TOTAL REVENUES	28,790	46,246	0	15,639	90,675
EXPENDITURES:					
Instructional				10,083	10,083
Debt Service:					
Principal	239,823				239,823
Interest	138,949				138,949
TOTAL EXPENDITURES	378,772	0	0	10,083	388,855
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	(349,982)	46,246	0	5,556	(298,180)
OTHER FINANCING SOURCES(USES):					
Operating Transfers In	349,982				349,982
Operating Transfers Out		(40,839)			(40,839)
TOTAL OTHER FINANCING SOURCES(USES)	349,982	(40,839)	0	0	309,143
NET CHANGE IN FUND BALANCES	0	5,407	0	5,556	10,963
FUND BALANCES - BEGINNING		45,249	0	19,070	64,319
FUND BALANCES - ENDING	0	50,656	0	24,626	75,282

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	FUND BALANCE JULY 1, 2015	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2016
Burgin School Activity Funds	<u>52,726</u>	<u>177,065</u>	<u>161,361</u>	<u>68,430</u>
Total Activity Funds (Due to Student Groups)	<u><u>52,726</u></u>	<u><u>177,065</u></u>	<u><u>161,361</u></u>	<u><u>68,430</u></u>

See independent accountant's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
SCHOOL ACTIVITY FUNDS

FOR THE YEAR ENDED JUNE 30, 2016

	CASH BALANCE JULY 1, 2015	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2016	ACCOUNTS RECEIVABLE JUNE 30, 2016	ACCOUNTS PAYABLE JUNE 30, 2016	FUND BALANCE JUNE 30, 2016
Principals Fund	26	1,194	461	759			759
AP Testing	0	922	922	0			0
A.R.T.S. Program	300	0	0	300			300
PTO Donations	206	0	126	80			80
PTO Donations Bus	40	0	0	40			40
Student Coke	15	26	0	41			41
Faculty Coke	65	26	61	30			30
Student Pencil	50	0	0	50			50
Master Lock Fund	0	110	110	0			0
Parking Tags	0	520	520	0			0
School Pictures	3,764	2,918	3,730	2,951			2,951
Flower Fund	243	0	222	21			21
WHAS Fundraiser	0	1,358	1,358	0			0
Donations	36	0	0	36			36
Burgin Family	1,067	4,665	4,724	1,008			1,008
FRYSC Backpack Snacks	970	4,144	4,091	1,023			1,023
Tackett Class	0	50	50	0			0
Becker Class	52	0	52	0			0
Chaimberlain Class	24	0	24	0			0
Hudgins Class	79	52	50	81			81
Hall Class	1	83	72	12			12
Berry Class	0	84	72	12			12
Renner Class	200	1,522	1,568	154			154
Lindsey Class	0	1,034	1,034	0			0
James Class	0	536	536	0			0
Harmon Class	190	39	50	179			179
Henson Class	54	750	652	152			152
Hale Class	125	102	227	0			0
Irvine Class	5	0	5	0			0
Boyd Class	33	899	926	6			6
Barlow Class	0	700	700	0			0
N. Short Class	0	613	111	502			502
Mays Class	64	0	64	0			0
Wilson Class	31	1,953	1,976	8			8
Yeager Class	0	261	261	0			0
Devine Class	1	0	1	0			0
Robinson Class	17	156	71	102			102
Shewmaker Class	20	1,220	1,206	34			34
Book Rental Fee	0	3,927	3,927	0			0
Yates Class	0	1,081	1,081	0			0
High School Fee	0	4,047	4,047	0			0
Middle School Fee	0	3,330	3,330	0			0
Primary Fee	0	3,771	3,771	0			0
General Athletic	6,060	31,350	30,176	7,234			7,234
BG Conference	1,418	900	763	1,555			1,555
Concessions	7,197	11,853	15,094	3,956			3,956
Little League Basketball	0	2,875	1,821	1,054			1,054
HS Boys Basketball	766	5,470	2,425	3,811			3,811
HS Girls Basketball	1,443	3,838	2,464	2,817			2,817
MS Boys Basketball	518	500	533	485			485
MS Girls Basketball	512	1,390	397	1,505			1,505
HS Baseball	741	3,649	3,145	1,245			1,245
Track Team	580	7,797	3,818	4,559			4,559

Cross Country	1,372	2,501	1,484	2,389			2,389
MS Cross Country	0	1,407	0	1,407			1,407
Softball	1,353	2,182	2,773	762			762
MS Softball	0	560	0	560			560
Golf	200	100	300	0			0
MS Cheerleading	1,002	4,930	2,078	3,854			3,854
MS Cheer/Competition	0	1,326	0	1,326			1,326
HS Cheerleading	467	5,259	4,691	1,035			1,035
MS Baseball	819	2,920	2,652	1,087			1,087
Volleyball	269	1,217	1,219	267			267
Fishing Team	685	2,382	2,295	772			772
FCCLA	528	5,845	6,122	251			251
Greenhouse	648	0	319	329			329
Science Club	119	234	186	167			167
Spanish Club	140	485	424	201			201
Speech & Drama Club	726	0	726	0			0
Student Council	18	260	240	38			38
MS Comm Changers	61	200	0	261			261
STLP Club	149	0	0	149			149
Pep Club	727	88	513	302			302
Art Club	379	0	0	379			379
T.A.T.U. Club	77	30	0	107			107
Cooking Club	0	144	109	35			35
Pinterest Club	0	350	325	25			25
Hiking Club	0	270	200	70			70
Y-Club	0	3,564	2,585	979			979
T.A.S.A.	0	30	0	30			30
FFA	575	6,659	7,234	0			0
Good News club	561	1,321	953	929			929
MS Clubs	8	0	0	8			8
Natl Honor Society	411	1,414	1,258	567			567
MS Academic Team	87	0	0	87			87
Elementary Academy	474	0	0	474			474
Gifted/Talented 9-12	580	0	16	564			564
Elementary Music	378	1,586	1,453	511			511
Book Drive	38	0	0	38			38
Library Coffee Shop	19	0	0	19			19
Book Fair	0	7,915	7,915	0			0
Yearbook	2,797	4,356	4,107	3,046			3,046
Music Fundraiser	0	6,846	6,510	336			336
Multimedia Fundraising	68	0	0	68			68
Family Consumer	71	0	0	71			71
PE Fundraising	1,797	2,218	1,495	2,520			2,520
Seniors 2016	3,271	2,302	5,573	0			0
Seniors 2017	1,378	3,098	3,222	1,254			1,254
Seniors 2018	2,532	84	0	2,616			2,616
Seniors 2019	685	3,529	1,610	2,604			2,604
Seniors 2020	235	59	235	59			59
Seniors 2022	0	50	0	50			50
Fieldtrip Bus	0	7,124	7,124	0			0
HS Music Field Trips	5	0	0	5			5
8th Grade Field Trips	3	4,794	4,778	19			19
MS Misc Field Trips	101	2,901	3,002	0			0
Total All Funds	52,726	204,255	188,551	68,430	0	0	68,430
Interfund Transfers	0	(27,190)	(27,190)	0	0	0	0
Total	52,726	177,065	161,361	68,430	0	0	68,430

BURGIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2016

There were no prior year audit findings.

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October 21, 2016

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Board of Education
Burgin Independent School District
140 Burgin-Danville Road
Burgin, KY 40310

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – Audit Extension Request, Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report.* , the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burgin Independent School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Burgin Independent School District's basic financial statements, and have issued our report thereon dated October 21, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Burgin Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Burgin Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Burgin Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Burgin Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Burgin Independent School District in a separate letter dated October 21, 2016.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
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Charles M. White, CPA
Joseph A. Montgomery, CPA
Stephanie A. Abell, CPA

Email charles.white@whitecpas.com

October 21, 2016

MANAGEMENT LETTER

Members of the Board of Education
Burgin Independent School District
140 Burgin-Danville Road
Burgin, KY 40310

In planning and performing our audit of the financial statements of Burgin Independent School District for the year ended June 30, 2016, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

In addition, we have reviewed recommendations made by the prior auditors in the audit report for the year ended June 30, 2015, and we have reviewed management's responses to those recommendations. Our findings based upon those prior year recommendations are also summarized below.

Prior Year Recommendation:

During the audit of the school activity fund disbursements, there were instances where disbursements were not supported by an invoice. In these instances, funds were advanced to a teacher or a sponsor for field trips and supplies. However, appropriate supporting documentation was not returned to the school's bookkeeper to document the expenditures incurred and the reconciliation between funds advanced and funds spent. In order to strengthen controls over activity fund disbursements, we recommend that no funds be expended without a proper receipt. In instances where funds need to be advanced, such as for meals on a field trip, teachers and sponsors should be advised that it is mandatory to return an invoice and any remaining funds to school the next day, and returned funds combined with the funds spent must reconcile to the amount of funds advanced.

Current Year Finding:

During the audit of the school activity fund disbursements, there was an instance where disbursement was not supported by an invoice. In this instance, a teacher failed to provide the invoice for the purchase to the school's bookkeeper to document the expenditure incurred and reconcile the amount spent with the

invoice. In instances where funds need to be advanced, such as for meals on a field trip, teachers and sponsors should be advised that it is mandatory to return an invoice and any remaining funds to school the next day, and returned funds combined with the funds spent must reconcile to the amount of funds advanced.

Management Response:

We will take measures to ensure that proper invoices are received supporting all disbursements and that teachers and sponsors are made aware of the requirement to turn in receipts and remaining advanced funds the next school day.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various District personnel, and we will be pleased to perform any additional study of this matter or to assist you in implementing the recommendation.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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Email charles.white@whitecpas.com

October 21, 2016

Members of the Board of Education
Burgin Independent School District
140 Burgin-Danville Road
Burgin, KY 40310

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burgin Independent School District for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 20, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Auditing Findings:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Burgin Independent School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management had corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 21, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Burgin Independent School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Burgin Independent School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the budgetary comparison information on pages 43 and 44, or on the schedules of the district's proportionate share of net pension liabilities on pages 45 and 46, or on the schedules of contributions to the County Employees Retirement Plan and the Kentucky Teachers Retirement System on pages 47 and 48, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this information and we do not express an opinion or provide assurance on it.

Restriction on Use

This information is intended solely for the use of Members of the Board of Education and management of Burgin Independent School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants